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Administration

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COMMISSIONER

Office of the Commissioner

The Office of the Commissioner is responsible for the coordination and development of policy for the Commissioner. In this role, its operations are concentrated on four main functions:

- Policy Development;
- Legislation;
- Regulations; and
- Communications and Consumer Services

Policy Development

One of the primary duties of the Office of the Commissioner is to advise the Commissioner on policy matters in a manner that will allow the Commissioner to act on developing issues. Working with other Associate Commissioners, the Office of the Commissioner researches and evaluates upcoming issues related to the regulation of insurance or development of insurance markets, and prepares briefing materials for the Commissioner. It also helps to implement laws and draft regulations with the affected Units of the MIA.

For example, in FY 2000 the Office of Policy monitored an important issue with market conduct examiners from the Life and Health Unit. Together they performed a market conduct examination on one carrier targeted for compliance with Maryland's laws regarding reimbursement of claims

submitted by Emergency Room physicians. The examination included a review of claims for compliance with Maryland's prompt payment law, the federal EMTALA law, and the health maintenance organization's application of its utilization review criteria for emergency services. The MIA issued the Final Report in March of 2000.

Policy Development also includes the implementation of agency policies and procedures for greater efficiency. In conjunction with the Fiscal Unit, the Office of Policy developed a Supplemental Filing Form, along with detailed instructions, for carriers to complete prior to submitting their assessment fees to the MIA. The Form captures all of the necessary information for both the Health Care Regulatory Fund and the Insurance Regulation Fund. This eliminates the need for carriers to complete two forms for both assessments.

Finally, in FY 2000 the Office of Policy drafted the Request for Proposal for the MIA to contract with independent review organizations to further the Appeals and Grievances Unit's capacity to handle medical necessity health care complaints consistent with Maryland's Appeals and Grievance law.

Chapter 410, Acts of 2000, charged the MIA with proposing regulations that define a clean claim, including the data elements necessary on

the claims forms, and the attachments to the claims forms. In addition, the regulations needed to set forth permissible categories of dispute, as well as standards for receipt of claims.

In FY 2001, the MIA undertook the following actions pursuant to this statutory charge: held at least 8 public hearings with the work group of interested parties; issued draft regulations for comment to work group members; reviewed pertinent federal law and other state laws, and proposed the regulation in November 2000. In addition, the MIA formed a working group of interested parties to draft the Claims Reporting Form required by the claims regulations.

Policy Development is also responsible for the annual submission to the Department of Budget and Management of the MIA's Managing for Results (MFR), an initiative created by the Governor for all State agencies. The MFR sets forth the Agency's goal, its relevant Units' objectives, and uses specific performance measures to gage its progress towards achieving those objectives. As part of that initiative, Policy Development and the Consumer Complaints Unit created a survey for consumers who utilized the MIA's Complaints Unit's services.

Finally, in FY 2001 Policy Development intervened in a claims dispute between one health insurance carrier and Podiatrists regarding the use of the appropriate fee schedule for reimbursement. After an agreement was reached, Policy Development drafted a Memorandum of Understanding (MOU) executed by the carrier that contained the

terms of the re-payment to the Podiatrists involved in the dispute, of certain claims according to the appropriate fee schedule. Policy Development issued an Order with penalties against the carrier when the carrier breached the MOU's payment terms, which resulted in the resolution of the issue shortly thereafter.

Legislation

The Office of the Commissioner represents the Insurance Commissioner in matters before the Governor's Legislative Office, the Maryland General Assembly and the Maryland Congressional Delegation and develops the legislative positions of the MIA during the annual session of the Maryland General Assembly. This involves evaluating all legislative proposals and making available accurate and relevant information to the Governor and General Assembly to assist them in their decision-making.

The Office of the Commissioner is also responsible for developing the MIA's Departmental Legislative agenda and assists the Legislative Office of the Governor with developing Administration bills that involve insurance. In addition, the Office of the Commissioner evaluates passed legislation for possible veto by the Governor.

During the 2000 Session, the Office of the Commissioner secured the passage of several health care-related initiatives intended to strengthen the Commissioner's oversight of health insurers, health maintenance organizations (HMOs), and private

review agents (PRAs), including House Bill (HB) 92 requiring all HMOs to comply with the risk-based capital standards in the same manner as health insurers for the purpose of monitoring HMO solvency; HB 371 requiring carriers to establish an internal appeals process for use by its members and health care providers to dispute coverage decisions made by the carrier; HB 1222 which requires the Commissioner to conduct examinations of PRAs; and HB 412 which authorizes the Commissioner to impose penalties on a PRA if that PRA violates the law and requires all PRAs that have an appeal process to conduct it in accordance with the State's Appeals and Grievance law.

In addition, the Office of the Commissioner secured the passage of HB 143 requiring insurers to provide an insured with written notice of intention to cancel a policy for nonpayment of premium 10 days before the proposed date of cancellation for nonpayment of premium; HB 119 which allows a mutual insurer, under certain circumstances, to reorganize as a stock insurer and establish a mutual insurance holding company.

During the session, the Office of the Commissioner oversees the preparation of fiscal estimates for each insurance-related bill introduced in the General Assembly. Working in conjunction with the staff of the various sections and units of the MIA, the Office of Commissioner gathers information and prepares an estimate of the fiscal impact each bill will have on the MIA, the insurance industry and the public. The fiscal estimates are given to the Department of Legislative Services, who

uses the information to prepare fiscal notes for the General Assembly. During the 2000 Session, the Office of the Commissioner prepared fiscal estimates on 116 bills. During the 2001 Session, fiscal estimates were prepared on 91 bills

Depending on legislation, the Office of the Commissioner may staff task forces and prepare reports for the Governor and General Assembly that come from legislation. As a result of the 2000 Legislative Session, the General Assembly charged the MIA with the studies listed in the chart starting on page 75.

In addition, the Office of the Commissioner produced two studies at the request of the Legislature: (1) the mandatory use of prescription drug cards by health insurers and HMOs that provide prescription drug coverage in Maryland and (2) "downstream risk arrangements" between licensed carriers and subcontracting entities such as managed behavioral health organizations to determine the appropriate level of regulatory oversight of downstream risk arrangements.

During the 2001 Session, the Office of the Commissioner secured passage of several initiatives intended to provide consumers with greater protections and create uniform regulation across state lines for producers (agents and brokers) and insurers. House Bill 362 (Chapter 469) requires the Commissioner to adopt regulations that establish standards for governing the privacy of consumer financial and health information. In particular, the regulations require an

insurer to obtain permission from a consumer prior to disclosing the consumer's health information to another entity. Among other things, Senate Bill 576 (Chapter 731) allows for reciprocity and uniformity among the states for producer licensing. Senate Bill 576 will ease the administrative burdens associated with obtaining a nonresident producer license.

In addition, the Office of the Commissioner secured passage of House Bill 180 (Chapter 447) in order to ensure the continuation of certain provisions that protect consumers from the loss of insurance under certain circumstances.

Regulations

The Office of the Commissioner coordinates and oversees the drafting, proposal, and adoption of regulations by the MIA. In carrying out this responsibility, the Office of the Commissioner works closely with the staff of the various sections and units of the MIA, the staff of the Joint Committee on Administrative, Legislative and Executive Review, and the staff of the Division of State Documents.

The MIA regularly takes action on regulations to:

- implement legislation enacted by the General Assembly;
- implement the policies of the MIA;
- maintain NAIC accreditation by

bringing the MIA's regulations into conformity with the latest model regulations promulgated by the NAIC; and

- update or eliminate obsolete regulations.

During Fiscal Years 2000 and 2001, the MIA completed several major actions on regulations that will provide significant benefits to Maryland consumers. Some of these actions are summarized below.

Credit Life and Credit Health Insurance

During Fiscal Years 2000 and 2001, the MIA completed a comprehensive revision of its regulations on credit life and credit health insurance. The revision reduced prima facie premium rates to levels anticipated to produce a 55% loss ratio; closed loopholes in the regulations to ensure that an insurer that begins to offer credit life or credit health insurance through a case uses appropriate experience-based premium rates; and made extensive changes to the regulations to clarify and update the regulations. It is estimated that the reduction in prima facie premium rates will save Maryland consumers \$6 million a year.

Credit Scoring

The use of credit scores for underwriting and rating has emerged as a major issue in the area of property and casualty insurance over the past few years. The MIA has been at the forefront of regulating this practice and, in May 2000, became one of the first state

insurance departments to take regulatory action when the MIA adopted comprehensive regulations on the subject. The regulations are designed to ensure that credit scores are used in a manner that is not unfairly discriminatory and that, when an insurer takes adverse action based on a credit score, the consumer receives proper notice with an explanation of the reasons for the adverse action.

Other states have used the MIA's regulations as a model for their own regulations and statutes. A recent report on credit scoring by the Professional Agents Association of Pennsylvania, Maryland and Delaware stated that "Maryland has developed a regulatory framework for credit scoring that is one of the foremost in the country."

Prompt Payment / Clean Claims

During the past few years, the prompt payment of claims for reimbursement from health insurers, nonprofit health service plans, and health maintenance organizations has been a major issue.

During Fiscal Year 2000, the MIA adopted regulations to clarify that health insurers, nonprofit health service plans, and health maintenance organizations are subject to certain penalties for failure to comply with the statutory provisions on prompt payment of claims.

During Fiscal Year 2001, the MIA adopted comprehensive regulations on the subject of clean claims. (A clean claim is one that contains all of the information necessary for a carrier to process the claim and make a determination of whether to pay or deny

the claim). The regulations define what constitutes a clean claim; state under what circumstances an insurer may request additional information in order to process a claim; and establish standards for determining when a claim is received and the time period for making payment begins to run. These regulations will help to streamline the claims process and ensure prompt payment of claims.

Other major actions on regulations by the MIA during Fiscal Years 2000 and 2001 included a comprehensive revision of the MIA's regulations on the valuation of life insurance policies to bring the regulations into conformity with the NAIC Valuation of Life Insurance Policies Model Regulation; the revision of MIA's Medicare Supplement regulations to bring the regulations into compliance with the Model Regulation to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act; the adoption of regulations that establish a uniform credentialing form for use in credentialing or recredentialing healthcare providers for participation on a provider panel; and the adoption of regulations that establish procedures and standards for the investigation and resolution of insurance claims by Holocaust victims.

IMPLEMENTATION OF 2000 LEGISLATION

Bill No.	Task Forces	Reports	Regulations
HB 5 - Health Maintenance Organizations - Responsibility for and Regulation of Downstream Risk			<ul style="list-style-type: none"> Requires the Commissioner, in consultation with the Secretary of DHMH, to establish and adopt by regulation a methodology to be used in the annual report that insures a clear separation of all medical and administrative expenses whether incurred directly or through a sub-contractor. <p><i>Effective date: June 1, 2000</i></p>
HB 92 - Health Insurance - Risk Based Capital Standards for Insurers and Managed Care Organizations			<ul style="list-style-type: none"> Requires the Commissioner, in consultation with the Secretary of DHMH, to adopt regulations that apply appropriate RBC standards to MCOs no later than July 1, 2001. <p><i>Effective date: July 1, 2000</i></p>
HB 344 - Insurance Agents and Brokers - Records			<ul style="list-style-type: none"> Requires the Commissioner to adopt regulations that establish the minimum length of time for which and the manner in which an independent agent or broker is required to maintain records of insurance transactions conducted by the agent or broker. <p><i>Effective date: October 1, 2000</i></p>
HB 405 - Health Insurance - Internal Appeal and Grievance Processes			<ul style="list-style-type: none"> Requires the Commissioner to define, by regulation, an urgent medical condition for the purpose of allowing a member, or health care provider acting on behalf of the member, to bypass a carrier's internal appeal process. <p><i>Effective date: October 1, 2000</i></p>
HB 649 - Health Insurance - Small Group Market - Eligibility Requirements		<ul style="list-style-type: none"> Requires the Maryland Health Care Commission, in consultation with the MIA and others, to report to the Legislature on the effect of group size in the small group insurance market on the HMO and PPO delivery systems of each prominent carrier in the small group market. <p><i>Effective date: June 1, 2000</i></p>	

<p>HB 762 - Health Insurance - Uniform Claims Forms</p>	<ul style="list-style-type: none"> Requires the Commissioner to convene a State Uniform Billing Committee comprised of representatives of the affected parties to advise and assist in the development of the regulations. 		<ul style="list-style-type: none"> Requires the Commissioner to adopt by regulation: <ul style="list-style-type: none"> (1)(I) A definition of a clean claim, including: <ol style="list-style-type: none"> The essential data elements that must be completed on the uniform claims form; and Uniform standards for attachments to the uniform claims form. (II) Permissible categories of disputed claims for which additional information may be requested under §§ 15-1004(C) and 15-1005(C) of this Subtitle; and (III) Standards for determining when a claim is considered received for reimbursement. (2) In adopting the regulations required under paragraph (1)(I) of this Subsection, the Commissioner shall consider: <ul style="list-style-type: none"> (I) Standards for attachments required by the Federal Health Care Financing Administration for the Medicare program; (II) Standards used by insurance carriers, nonprofit health service plans, and health maintenance organizations in the State; and (III) Federal regulations adopted under the Health Insurance Portability and Accountability Act. Requires the Commissioner to adopt by regulation: <ul style="list-style-type: none"> (I) A definition of a clean claim; (II) Permissible categories of disputed claims for which additional information may be requested under §§ 15-1004(C) and 15-1005(C) of the Insurance Article; and (III) Standards for determining when a claim is considered received for reimbursement. Requires the Commissioner to publish the required regulations on or before January 1, 2001. <p><i>Effective date: June 1, 2000</i></p>
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			<ul style="list-style-type: none"> • Requires the regulations to include standards for clean claims for services rendered in a hospital emergency facility. • Requires the Commissioner, in adopting the regulations, to consider: <ul style="list-style-type: none"> (I) Standards for attachments required by the Federal Health Care Financing Administration for the Medicare program; (II) Standards used by insurance carriers, nonprofit health service plans, and health maintenance organizations in the State; and (III) Federal regulations adopted under the Health Insurance Portability and Accountability Act. •
SB 307 - Motor Vehicle Liability Insurance - Voluntary Cancellation of Policy - Regulations			<ul style="list-style-type: none"> • Requires the MVA, in consultation with the MIA and industry representatives, to adopt regulations establishing procedures to be used by an insurer to provide timely notification to an insured of the penalties that may be imposed in accordance with § 17-706 of the Transportation Act if the insured fails to renew or replace a policy of motor vehicle liability insurance without surrendering the evidence of registration. <p><i>Effective date: October 1, 2000</i></p>
SB 598 - Insurance Rating Law - Exempt Commercial Policyholders			<ul style="list-style-type: none"> • Allows the Commissioner to require, by regulation, insurers to provide the MIA with information on the number and types of policies written for "exempt commercial policyholders." • Allows the Commissioner, by regulation, to authorize an exempt policyholder to procure coverage under SB 598 from an unauthorized insurer in accordance with § 3-306.1 of the Insurance Article. <p><i>Effective date: October 1, 2000</i></p>
SB 855 - Senior Assistance - Short-Term Prescription Drug Subsidy Plan		<ul style="list-style-type: none"> • Requires, on or before June 30 of each year, the Secretary, HSCRC, and the MIA to submit a joint report to the Governor and Legislature. The report must include a summary of the program activities for the year and any recommendations for consideration by the Legislature. <p><i>Effective date: June 1, 2000</i></p>	None required.

SB 881 - Injured Workers' Insurance Fund - Regulation		<ul style="list-style-type: none"> Requires the Commissioner to examine the financial condition of the Fund and ensure that the Fund satisfies the solvency standards for a workers' compensation insurer in this State before the Fund may become a member of the Property and Casualty Insurance Guaranty Corporation. Requires the Commissioner to report to the Board for the Fund on the results of any examination or review conducted. <p><i>Effective date: October 1, 2000</i></p>	
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HB 344 – Insurance Agents and Brokers – Records			<ul style="list-style-type: none"> Requires the Commissioner to adopt regulations that establish the minimum length of time for which and the manner in which an independent agent or broker is required to maintain records of insurance transactions conducted by the agent or broker. <p><i>Effective date: October 1, 2000</i></p>
HB 405 – Health Insurance – Internal Appeal and Grievance Processes			<ul style="list-style-type: none"> Requires the Commissioner to define, by regulation, an urgent medical condition for the purpose of allowing a member, or health care provider acting on behalf of the member, to bypass a carrier's internal appeal process. <p><i>Effective date: October 1, 2000</i></p>

IMPLEMENTATION OF 2001 LEGISLATION

Bill No. and Title	Regulations	Study/Report
HB 15 - Non-Profit Health Entity Accountability	14-106(B) Premium Tax Exemption Report - Form <i>Effective date: October 1, 2001</i>	<ul style="list-style-type: none"> If the Commissioner determines that a nonprofit health service plan does not satisfy 14-106, the Commissioner shall report the determination to the House Economic Matters Committee and the Senate Finance Committee.
HB 362 - Maryland Insurance Administration - Adoption of Regulations	<ul style="list-style-type: none"> Requires the Commissioner to adopt regulations in accordance with the Federal Violent Crime Control and Law Enforcement Act. Requires the Commissioner to promulgate regulations that establish standards governing the privacy of consumer financial and health information pursuant to Title V of the Federal Financial Services Modernization Act of 1999. <i>Effective date: July 1, 2001</i>	
HB 1448 - Medicare Supplement Policies - Medicare Select Program	<ul style="list-style-type: none"> The Commissioner may adopt regulations, in consultation with the Secretary of DHMH, to establish the requirements of the Medicare Select program. <i>Effective date: October 1, 2001</i>	
SB 132 - Health Insurance - Standard Provisions	<ul style="list-style-type: none"> Implement regulations prohibiting the use of certain standard contract provisions. <i>Effective date: January 1, 2002</i>	

SB 458 - Health Insurance - Substantial, Available, and Affordable Coverage	<ul style="list-style-type: none"> • The Commissioner shall adopt regulations to facilitate the implementation of SB 458, which requires a carrier that denies coverage under a medically underwritten health benefit plan to an individual in the nongroup market to provide the individual with specific information regarding the availability of SAAC in the form and manner required by the Insurance Commissioner. • The Commissioner shall develop a mechanism to provide verbally, in writing, or by electronic means, information to individuals, on request, about the availability of SAAC. <p><i>Effective date: October 1, 2001</i></p>	
SB 576/HB 898 - Insurance Producer Licensing Act	<ul style="list-style-type: none"> • Implement changes to the agent licensing laws. <p><i>Effective date: July 2, 2001</i></p>	
SB 763 - Workers' Compensation - Self-Insurance Groups		<ul style="list-style-type: none"> • On or before December 1, 2001, the Maryland Insurance Administration shall report to the Senate Finance Committee and the House Economic Matters Committee on: <ul style="list-style-type: none"> (1) the name of each workers' compensation self-insurance group, the type of business that generally become members of each group, the number of employers that belong to each group, and the total number of employees that are served by each group; (2) the status of the regulation and operation of the workers' compensation self-insurance groups; and (3) any recommendations for changes to the law regarding the regulation of workers' compensation self-insurance groups.

COMMUNICATIONS

Communications and Consumer Services

The Office of Communications and Consumer Services oversees the external communications of the MIA, including media relations, publications, the website and outreach. This involves:

- Coordinating proactive media relations in the form of news releases, news conferences and editorial board meetings;
- Responding to inquiries from general news media and trade publications;
- Developing, distributing and marketing various consumer guides to the insurance industry and to consumers;
- Developing, distributing and marketing publications related to regulatory actions taken by the MIA;
- Maintaining the MIA website: www.mdinsurance.state.md.us;
- Visiting counties across Maryland to provide direct assistance and information to consumers;
- Participating in consumer education forums, health information fairs, citizen town hall meetings, and similar events;
- Coordinating speaker's bureau requests for staff to attend various events and provide information/assistance to various industry organizations;
- Developing partnerships with other State and Federal agencies and organizations;

- Providing outreach and education on all types of insurance; and
- Carrying out the requirements of the Patient's Bill of Rights by disseminating information compiled and published by other organizations relating to health insurance.

The Office of Communications and Consumer Services also oversees the internal communications of the MIA. This includes preparing the MIA's employee newsletter, *News and Views*.

In FY 2000, the Office of Communications and Consumer Services created and distributed a *Consumer's Guide to Auto Insurance* and Rate Guides for Automobile Insurance, Homeowner's Insurance, Worker's Compensation, Small Group Health Insurance and Medicare Supplement Insurance. A total of 12,409 separate pieces of printed materials were distributed, including brochures and informational materials from the National Association of Insurance Commissioners, the Health Care Financing Administration, the Maryland Health Care Commission and the Maryland Health Care Access and Cost Commission. In FY 2001, 29,406 separate printed materials were distributed.

The consumer outreach responsibilities of the department

greatly increased in FY 2000 as the MIA entered into a partnership with the Comptroller's Office where they agreed to provide space to an MIA representative at their various offices across the State. Sixteen (16) days a month, a member of the Communications and Consumer Services staff visits Comptroller's offices around Maryland meeting with consumers to help them file complaints and generally access the services of the MIA.

Representatives of the Communications and Consumer Services department have also staffed the MIA's educational exhibit at the Maryland State Fair, Maryland Association of Counties meeting, the Baltimore Women's Show, the Maryland Home and Garden Show and several one-day events all over the State. Many other MIA employees often volunteer to staff the exhibits, as well.

In FY 2000 and continuing in FY 2001, the Office of Communications and Consumer Services worked to improve the design, layout and function of the MIA website to provide more comprehensive information in a user-friendly format.

ATTORNEY GENERAL

Office of the Attorney General

The Office of the Attorney General acts as the chief legal advisor and counsel to the Insurance Commissioner. In the Maryland Insurance Administration, the Office consists of a Principal Counsel, a Deputy Counsel and seven Assistant Attorneys General.

Legal Advice

One of the primary duties of the Office of the Attorney General is to interpret the Maryland Insurance Article and related laws and to provide legal advice to the Commissioner, the Associate Commissioners, and to the various units and sections within the Insurance Administration. This advice is found in the form of written Advice of Counsel, memoranda and formal Opinions of the Attorney General, as well as day-to-day informal advice.

The Office of the Attorney General also provides legal advice in connection with regulations, legislation, and contracts. Under §10-107, State Government Article, the Office of the Attorney General is required to review and approve for legal sufficiency all agency regulations before they are adopted. Similar reviews are made of all legislation either proposed by or affecting the Insurance Administration, all procurement-related documents and all contracts entered into by the Insurance Administration.

The Office of the Attorney General also provides advice regarding responses to both Public Information Act requests and court subpoenas for documents in the custody of the Maryland Insurance Administration. Responses to these requests are governed by the Maryland Public Information Act, State Government Article §10-611 *et seq.* and court rules. These responses generally involve reviewing the documents for responsiveness, determining whether the documents contain confidential or privileged information and formulating an appropriate response.

Agent/Broker Licensing

The Office of the Attorney General also represents the Maryland Insurance Administration in enforcement cases before either the Office of Administrative Hearings or the Insurance Commissioner. Cases against agents and brokers constitute the bulk of these hearings. As insurance agents and brokers are in a position of responsibility, the public justifiably expects the MIA to ensure that only trustworthy and competent agents are permitted to do business in Maryland. When violations of the Insurance Code against a licensee are alleged and are contested, the Office of the Attorney General represents the MIA at

administrative hearings before the Office of Administrative Hearings and before the Commissioner or his designee. Additionally, the OAG assists in the formulation of consent agreements between the MIA and licensees in order to settle administrative actions without the need for a hearing.

Company Licensing/ Market Conduct

The Attorney General's Office advises and represents the MIA on issues involving compliance with licensing and filing requirements of the approximately 1,500 insurance companies licensed in Maryland. Issues range from a company's failure to renew its Certificate of Authority to the review of merger and acquisition agreements.

In addition, the Attorney General's Office represents the MIA when a company challenges a Financial Examination report or a Market Conduct order. In cases where the MIA has determined that an insurer or agency is insolvent, this office also represents the MIA in receivership proceedings.

Consumer Actions

The MIA has established an Appeals and Grievance Unit for consumer complaints against insurers when care that is believed to be medically necessary is denied. The Attorney General's Office reviews orders and represents the MIA at administrative hearings to compel the insurer to provide a health care benefit that has been unlawfully denied.

On behalf of the MIA, the Attorney General's Office also defends decisions of the MIA where the agency has found that an insurer has violated the Unfair Trade Practices Act of the Insurance Article.

Litigation Highlights

- A Health Maintenance Organization (HMO) denied a brain injured woman continued services from a coma emergence care program on the ground that the services were not improving the patient's condition and, therefore, were not medically necessary. With advice and review of this Office, the MIA issued an order requiring the HMO to provide the services. The HMO requested a hearing, but was required to provide the services pending the hearing. The patient made remarkable progress, to the point of being able to wheel her own wheelchair and follow voice commands. The HMO withdrew its hearing request.
- After a 7 day hearing at the Office of Administrative Hearings, this Office successfully enforced the MIA's order of revocation of the license of a title agent, also resulting in a \$10,000 fine and \$16,000 in restitution.
- In the matter of the Receivership of PrimeHealth, a Medicaid managed care organization ("MCO"), this Office has received favorable decisions on the many motions, appeals, and cert petitions that have been filed in the circuit courts and appellate courts by the disgruntled

owners of this insolvent company. With the assistance of the Attorney General's Office, the MIA completed a sale of assets of PrimeHealth that resulted in transferring the Medicaid business to another MCO, ensuring that the Medicaid members continue to receive uninterrupted care without having to change doctors.

- This Office prevailed on a unique and rather arcane issue, but one that will benefit consumers seeking personal injury protection ("PIP") benefits under their automobile policies. An insurer can not exclude from PIP coverage a claim by its insured when the insured has been injured in a vehicle that the insured does not own but uses on a regular basis. This is the so-called "regular use exclusion." The insured can make the PIP claim against the policy on the car he owns.
- The Attorney General's Office advised the MIA on and litigated the issue of the preemptive effect of the federal Employee Retirement Income and Security Act ("ERISA") on laws that authorize the Insurance Commissioner to order an insurer to pay a claim that has been denied in contravention of the Insurance Article or the terms of the policy to an employee covered under his employer's group insurance contract. An administrative order was issued finding that the insurance laws were not preempted; however, the insurer continues to litigate the issue.
- There is continuing administrative litigation that has traveled from the MIA to the Circuit Court and back

again regarding the obligation of an HMO to be pay providers who have not been paid by the HMO's "downstream risk provider." There is a statutory scheme that generally holds an HMO responsible for payment of claims, even if the HMO has contracted with another entity to process and pay the claims. There is an exception to this obligation, however, where the provider seeking payment is actually an employee, partner, or shareholder of the defaulting "downstream risk provider." Because of the complex contractual relationships between and among health care providers and "downstream entities," questions have arisen as to who falls within and without the exception. An administrative decision in this case clarified how this exception should be applied, resulting in millions of dollars in payments to providers.

- The Office of the Attorney General successfully defended through the Court of Special Appeals an insurer's challenge to certain findings in the MIA's Financial Examination report regarding the type of subsidiary an insurer may control and assets that may be considered admitted.
- On behalf of the MIA, the Office of the Attorney General filed a complaint to place a Title agency in receivership. Under the receivership, the MIA has been successful in gathering sufficient assets to fully reimburse consumers who were harmed by the title agency's defalcation.

SUMMARY OF LITIGATION

Fiscal Years 2000 and 2001

Enforcement Results From Consumer Complaints	141
Agent Enforcement	67
License Denials	32
Appeals/ Grievance	84
Cease/ Desist	1
Market Conduct	6
Miscellaneous	15

CHIEF ACTUARY

Office of the Chief Actuary

The Office of the Chief Actuary (OCA) is responsible for actuarial activities related to all lines of business in both the Life and Health and Property and Casualty insurance areas. The Life and Health actuaries review rate filings from health insurance carriers and HMO's and complete the annual valuations of life companies domiciled in Maryland as well as provide expertise for financial examinations of insurance carriers as scheduled by the MIA. The Property and Casualty actuaries similarly review rate filings from property and casualty carriers for both personal and commercial lines of business. The OCA staff includes actuaries who are members of professional actuarial organizations such as the Society of Actuaries, the Casualty Actuarial Society, and the American Academy of Actuaries (AAA). The OCA provides actuarial support to other units throughout the MIA, and in doing so, also participates in various MIA efforts to provide quality insurance regulation in Maryland.

- **Reviewing Rate Filings for Various Insurance Coverages**

Rate filings from all types of insurance entities are reviewed for appropriate supporting data and justification, adherence to professional actuarial standards, and compliance with Maryland laws and regulations. During FY 2000, the OCA staff reviewed 891 health insurance rate filings from commercial carriers, HMO's, and

Blue Cross Blue Shield plans as well as 1,914 property and casualty rate filings ranging from automobile to homeowners to workers compensation insurance.

During FY 2001, the OCA staff reviewed 784 health insurance rate filings from commercial carriers, HMO's and Blue Cross BlueShield plans and 1,688 property and casualty rate filings ranging from automobile to homeowners to worker's compensation insurance.

- **Assisting with Financial Examinations of Insurers**

The Office of the Chief Actuary assists the Examination and Audit Section of the MIA with the required periodic financial examinations of insurers domiciled in Maryland. The OCA staff handles the actuarial aspects of these examinations and helps to determine appropriate regulatory responses. Examination fees paid to the MIA for actuarial work totaled \$25,882 for FY 2000.

Examination fees paid to the MIA for actuarial work totaled \$8,746 for FY 2001.

Also as required by law, the OCA staff evaluates reserves and other specific items from the annual financial statements of domestic life insurance companies. This actuarial evaluation of

reserves is performed annually to assure that companies retain adequate funds to pay future claims and is based on requirements and standards of Maryland law and regulatory practice. Valuation fees paid to the MIA amounted to \$2,375 for FY 2000.

Valuation fees paid to the MIA amounted to \$2,275 for FY 2001.

- **Analyzing Industry Experience Results and Trends**

Responsibilities of The Office of the Chief Actuary include

- *Monitoring rating practices in the small group market for employers with less than 51 employees and publishing a sample rate guide for consumers each January and July;

- *Collecting data from carriers and preparing estimates of the number of Maryland lives generally covered by health insurance

- *Collecting health insurance data and evaluating it for carrier compliance with medical loss ratio standards in Maryland

- *Handling the annual automobile insurance data collection as required by the Insurance Reform Act of 1995 from all carriers that write private passenger insurance in Maryland

- *Handling the annual data call on residential property insurance as required by 1999 Legislation (House Bill 44) from all carriers that write such coverage in the state of Maryland

- **Special Efforts with Consumer Complaints, Legislation and Regulations, and Industry Groups**

The Office of the Chief Actuary regularly assists with the resolution of consumer complaints and inquiries that often involve insurance pricing and rating issues. OCA personnel also participate in regulatory meetings of the National Association of Insurance Commissioners, forums on workers compensation, and serve on an AAA Committee on Actuarial Public Service. The OCA assists in the evaluation, drafting, and implementation of Maryland insurance laws and regulations.

MIS

Management Information Systems

The Management Information Systems (MIS) section provides automation expertise for the Maryland Insurance Administration including infrastructure design, computer network support and application development.

Technology initiatives completed in FY 2000

- **Enterprise System** – The Company Licensing Database, the first module of the Enterprise System was implemented. Four additional applications (Fraud, Rates&Forms, Market Conduct and Licensing Compliance) were put in place for the Y2K rollover.
- **Company licensing certificates** – MIS worked with outside vendor Lockheed Martin and the Examination and Auditing Unit create Company Licensing certificates for fiscal year 2000.
- **Y2K remediation** – MIS upgraded or replaced all server, desktop, and laptop computers within the agency. Also, new accounts were created and new software was installed. MIS setup a laboratory to test the relative readiness of our computer infrastructure.
- **New web provider** – MIA's previous webhost, Global Access Communication, advised MIA that they were going out of business. As a result, the agency's website was

relocated to a new provider, Toad Net.

- **Fraud relocation** – Due to severe constraints on the physical space in MIA's office at 525 St. Paul Place, the Fraud Unit was relocated to a new office at 2 E. Baltimore Street. MIS outfitted the new office space, and then relocated Fraud computers.
- **SERFF** – MIA became a participant with the NAIC's System for Electronic Rate and Form Filing (SERFF).
- **ITB presentation** – The Department of Budget and Management invited MIS to make a presentation to the State Information Technology Board, regarding project management best practices, as they pertain to our agency's web-based e-government and citizen access efforts.

Technology initiatives completed in FY 2001

- **Web** – Preceding the deployment of MIA's initial e-Commerce efforts, the Online Premium Tax System and the new Agent Licensing Online Renewal System, MIA and Lockheed Martin setup new web servers at MIA's office in March 2001. Before the implementation of these web servers, MIS obtained a significant

service (performance) upgrade with our current Internet Service Provider.

- Implemented a new Administration Web site as the first step in the expansion of citizen and industry access to the Insurance Administration.
 - Implementation of the On-Line Agent Broker license renewal application.
 - Premium Tax – Implementing an on-line Premium Tax and audit application. The application will significantly reduce the time to audit and assess the payment process.
 - Initiated Crystal Reports, a reporting tool used with the Enterprise System.
- **DNS** – MIA deployed a new Domain Name, *mdinsurance.state.md.us*, to accompany the website changes. Digex, Toad, and MIA cooperatively implemented this DNS change, as well as other significant security changes.
 - **CTS Upgrade** – Upgraded the Complaints Tracking system to the new office suite and installed the application on the 56 computers in MIA's Complaints unit in February 2001.
 - **Remote Access** – Approximately 40 new laptops were deployed as replacements, and approximately 20 more replacements are due for future deployment. Additionally, MIS is implementing a new system for remote access. This will enable field

examiners to access resources previously only available to staff at MIA's facility.

- **TeamMate 2000** – MIA acquired TeamMate 2000 software and training. MIA deployed this software to field examiners in Examination and Auditing, as well as the Market Conduct Units in Life and Health and Property and Casualty.
- **New servers** – During the course of FY 2001, MIA acquired two new web servers, two new domain controllers and one new server expressly for MIA's upgraded CTS. In addition, MIA acquired specialized cabinetry to securely house Enterprise System and e-Commerce servers.
- **Email** - MIA deployed a new email platform. The new email platform resides Eudora's WorldMail platform. MIS installed the client program on every desktop computer at MIA before March.